

PERAC AUDIT REPORT



Blue Hills Regional School
Contributory Retirement System



JAN. 1, 2010 - DEC. 31, 2012



TABLE OF CONTENTS

Letter from the Executive Director	1
Explanation of Finding and Recommendation	2
Statement of Ledger Assets and Liabilities.....	3
Statement of Changes in Fund Balances	4
Statement of Receipts.....	5
Statement of Disbursements.....	6
Investment Income.....	7
Schedule of Allocation of Investments Owned.....	8
Supplementary Investment Regulations.....	9
Notes to Financial Statements:	
Note 1 - Summary of Plan Provisions	10
Note 2 - Significant Accounting Policies.....	17
Note 3 - Supplementary Membership Regulations.....	19
Note 4 - Administration of the System	22
Note 5 - Actuarial Valuation and Assumptions.....	23
Note 6 - Membership Exhibit.....	24

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | KATE FITZPATRICK | JOHN B. LANGAN | JAMES M. MACHADO | ROBERT B. MCCARTHY

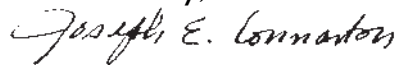
June 8, 2015

The Public Employee Retirement Administration Commission has completed an examination of the Blue Hills Regional School Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2010 to December 31, 2012. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the finding presented in this report.

In closing, I acknowledge the work of examiners William Walsh, Sam O'Brien and Jim Tivnan who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDING AND RECOMMENDATION

3(8)(c) Reimbursement:

The Blue Hills Regional School Retirement Board disputed the assessment included in an August 14, 2009 3(8)(c) letter from PERAC requiring the Board to reimburse the State Retirement Board for the pension portion of a retirement benefit. The dispute relates to the basis used to determine the relative portion attributed to the system. PERAC has been contacted by Blue Hills Regional School in an effort to revise this assessment, claiming it is disproportionate and the assessment should be reevaluated. The Blue Hills Regional School Retirement Board and the State Retirement Board have had a verbal agreement in place to offset 3(8)c reimbursements to one another until this particular issue is resolved. There is no current accounting value recognized in the financial position of the Blue Hills Regional School Retirement Board related to this disputed assessment.

Recommendation: The Blue Hills Regional School Retirement Board must keep track of this 3(8)(c) reimbursement to the State Retirement Board by recording it as an accounts payable as well as recording what is owed to them from the State as an accounts receivable until this matter is resolved. The Blue Hills Regional School Retirement Board and the State Retirement Board should discuss reimbursing one another until each system is whole and all payments have been received.

Board Response:

The Blue Hills Regional School Retirement Board (the Board) acknowledges an unrecorded receivable and payable and will record them in the current calendar year.

It is our opinion that the salaries should be pro-rated as a percentage of total salary used in the calculation and the 3 (8)(c) obligation be appropriately proportioned.

PERAC Response:

We acknowledge that this particular issue has taken an extended period to resolve. We exercised due caution based on possible precedent conditions that included Section 10 interpretation and dual membership. A letter has been sent from the Actuary that has provided a recalculation of the 3 (8)(c) proportion to both systems.

FINAL DETERMINATION:

PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF DECEMBER 31,			
	2012	2011	2010
Net Assets Available For Benefits:			
Cash	\$1,027	\$293,050	\$254,711
PRIT Cash Fund	60,013	100,012	100,019
PRIT Core Fund	7,956,308	6,784,056	6,420,828
Total	<u>\$8,017,348</u>	<u>\$7,177,118</u>	<u>\$6,775,558</u>
Fund Balances:			
Annuity Savings Fund	\$1,657,648	\$1,569,853	\$1,612,501
Annuity Reserve Fund	659,971	778,462	754,443
Pension Fund	1,303,706	1,304,470	523,232
Military Service Fund	0	0	0
Expense Fund	0	0	0
Pension Reserve Fund	<u>4,396,023</u>	<u>3,524,334</u>	<u>3,885,382</u>
Total	<u>\$8,017,348</u>	<u>\$7,177,118</u>	<u>\$6,775,558</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2010)	\$1,575,039	\$720,610	\$178,483	\$0	\$0	\$3,205,973	\$5,680,106
Receipts	191,392	20,594	999,656	0	49,976	679,409	1,941,027
Interfund Transfers	(141,363)	141,363	0	0	0	0	0
Disbursements	(12,566)	(128,124)	(654,908)	0	(49,976)	0	(845,574)
Ending Balance (2010)	1,612,501	754,443	523,232	0	0	3,885,382	6,775,558
Receipts	191,287	22,925	1,188,273	0	57,770	(75,034)	1,385,220
Interfund Transfers	(141,342)	141,342	286,014	0	0	(286,014)	0
Disbursements	(92,593)	(140,248)	(693,049)	0	(57,770)	0	(983,660)
Ending Balance (2011)	1,569,853	778,462	1,304,470	0	0	3,524,334	7,177,118
Receipts	185,702	21,422	701,959	0	71,500	871,512	1,852,094
Interfund Transfers	(178)	0	0	0	0	178	0
Disbursements	(97,729)	(139,913)	(702,723)	0	(71,500)	0	(1,011,864)
Ending Balance (2012)	\$1,657,648	\$659,971	\$1,303,706	\$0	\$0	\$4,396,023	\$8,017,348

STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2012	2011	2010
Annuity Savings Fund:			
Members Deductions	\$178,727	\$170,701	\$166,341
Transfers from Other Systems	0	17,634	0
Member Make Up Payments and Re-deposits	3,793	0	20,558
Investment Income Credited to Member Accounts	3,182	2,953	4,493
Sub Total	<u>185,702</u>	<u>191,287</u>	<u>191,392</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>21,422</u>	<u>22,925</u>	<u>20,594</u>
Sub Total	<u>21,422</u>	<u>22,925</u>	<u>20,594</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	267,525	781,201	604,144
Pension Fund Appropriation	29,759	18,536	22,736
Settlement of Workers' Compensation Claims	404,676	388,535	372,776
Recovery of Pension from Reinstatement	0	0	0
Recovery of 91A Overearnings	0	0	0
Sub Total	<u>701,959</u>	<u>1,188,273</u>	<u>999,656</u>
Military Service Fund:			
Sub Total	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Investment Income Credited to the Expense Fund	<u>71,500</u>	<u>57,770</u>	<u>49,976</u>
Sub Total	<u>71,500</u>	<u>57,770</u>	<u>49,976</u>
Pension Reserve Fund:			
Interest Not Refunded	0	0	491
Excess Investment Income	<u>871,512</u>	<u>(75,034)</u>	<u>678,918</u>
Sub Total	<u>871,512</u>	<u>(75,034)</u>	<u>679,409</u>
Total Receipts, Net	<u>\$1,852,094</u>	<u>\$1,385,220</u>	<u>\$1,941,027</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2012	2011	2010
Annuity Savings Fund:			
Refunds to Members	\$24,532	\$1,246	\$12,285
Transfers to Other Systems	<u>73,197</u>	<u>91,347</u>	<u>281</u>
Sub Total	<u>97,729</u>	<u>92,593</u>	<u>12,566</u>
Annuity Reserve Fund:			
Annuities Paid	139,913	140,248	128,124
Sub Total	<u>139,913</u>	<u>140,248</u>	<u>128,124</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	647,124	641,723	605,131
Survivorship Payments	55,599	51,326	49,777
Sub Total	<u>702,723</u>	<u>693,049</u>	<u>654,908</u>
Expense Fund:			
Board Member Stipend	7,500	0	0
Salaries	15,391	16,332	16,081
Travel Expenses	77	0	0
Administrative Expenses	4,980	5,215	3,943
Education and Training	810	0	500
Management Fees	39,660	33,275	26,634
Service Contracts	2,431	2,315	2,205
Fiduciary Insurance	651	633	612
Sub Total	<u>71,500</u>	<u>57,770</u>	<u>49,976</u>
Total Disbursements	<u>\$1,011,864</u>	<u>\$983,660</u>	<u>\$845,574</u>

INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,			
	2012	2011	2010
Investment Income Received From:			
Cash	\$184	\$651	\$683
Pooled or Mutual Funds	235,644	201,373	163,723
Commission Recapture	<u>0</u>	<u>0</u>	<u>49</u>
Total Investment Income	<u>235,828</u>	<u>202,025</u>	<u>164,454</u>
Plus:			
Realized Gains	190,311	204,164	153,619
Unrealized Gains	990,057	658,532	1,119,194
Sub Total	<u>1,180,369</u>	<u>862,696</u>	<u>1,272,814</u>
Less:			
Realized Loss	0	(3,852)	(4,857)
Unrealized Loss	(448,581)	(1,052,256)	(678,430)
Sub Total	<u>(448,581)</u>	<u>(1,056,108)</u>	<u>(683,287)</u>
Net Investment Income	<u>967,615</u>	<u>8,613</u>	<u>753,981</u>
Income Required:			
Annuity Savings Fund	3,182	2,953	4,493
Annuity Reserve Fund	21,422	22,925	20,594
Expense Fund	<u>71,500</u>	<u>57,770</u>	<u>49,976</u>
Total Income Required	<u>96,103</u>	<u>83,647</u>	<u>75,063</u>
Net Investment Income	<u>967,615</u>	<u>8,613</u>	<u>753,981</u>
Less: Total Income Required	<u>96,103</u>	<u>83,647</u>	<u>75,063</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$871,512</u>	<u>(\$75,034)</u>	<u>\$678,918</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2012		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$1,027	0.01%
PRIT Cash Fund	60,013	0.7%
PRIT Core Fund	<u>7,956,308</u>	<u>99.2%</u>
Grand Total	<u>\$8,017,348</u>	<u>100.0%</u>

For the year ending December 31, 2012, the rate of return for the investments of the Blue Hills Regional Retirement System was 13.58%. For the five-year period ending December 31, 2012, the rate of return for the investments of the Blue Hills Regional Retirement System averaged 1.77%. For the twenty-eight-year period ending December 31, 2012, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Blue Hills Regional Retirement System was 8.67%.

The composite rate of return for all retirement systems for the year ending December 31, 2012 was 13.84%. For the five-year period ending December 31, 2012, the composite rate of return for the investments of all retirement systems averaged 1.83%. For the twenty-eight-year period ending December 31, 2012, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.27%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Blue Hills Regional School Retirement System effectively rescinded their supplementary investment regulations upon fully investing with the PRIT Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Blue Hills Regional School Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 105 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC.

Group I:

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

In addition, members of Group I who join the system on or after April 2, 2012 will have their withholding rate reduced to 6 % after achieving 30 years of creditable service.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

There is no mandatory retirement age for employees in Group I.

SUPERANNUATION RETIREMENT

A person who became a member before April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group I

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group I.

.

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.
- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group I employees who retire at or after age 65. A .1% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group I employees who retire at or after age 67. A .15% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group I employees who retire at or after age 67. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s.6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

For persons in Group I who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of 774.36 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of 774.36 per year, per child (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is \$9,000. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is \$12,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group I who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000 unless the retirement system has accepted the local option increasing this minimum annual allowance to \$6,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. Only a certain portion of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, Section 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of \$1,000. For many years the COLA base was calculated based upon the first \$12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. Each increase in the base must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

NOTES TO FINANCIAL STATEMENTS (Continued)

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who is has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system. If a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration will not be undertaken. This is because such a person will receive a separate retirement allowance from each system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

Cash accounts are considered to be funds on deposit with banks and are available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board primarily relies upon the investment strategy of the PRIM Board to maintain their progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Blue Hills Regional School Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

Membership:

May 23, 2013

The following shall apply specifically to non-instructional employees.

Full-time employees: Membership in the retirement system is mandatory for all non-instructional employees who are regularly employed on a full-time basis.

Permanent Part-Time Employees: Permanent part-time employees working a minimum of 20 hours per week on a permanent basis must become members of the system. Creditable service shall be calculated on a prorated basis as it relates to a full-time position.

“Permanent part-time employee” includes any employee who is employed at least 20 hours per week in a single position, or in more than one position so that when hours of employment are added together those hours equal at least 20 hours per week, or an aggregate of 860 hours during the course of a school year.

Part-time Employees who work on average less than 20 hours per week, 860 hours per school year, during the lesser of: the period of their employment or one year shall not be eligible for membership in the retirement system.

Contract Employees: “Contract employees” are typically those hired to perform a specific set of duties for a limited time (less than one school year); that will perform tasks above the capability or experience level of existing personnel; or hired to fulfill essential duties when coverage by existing staff is not feasible due to vacation schedules, illness, job vacancy, special projects, etc. Contract employees shall not be eligible for membership in the retirement system.

Consultants (Fee for Service): “Consultants” are those hired to perform specialized services for a limited time that are beyond the expertise or capability of existing personnel. Consultants shall not be eligible for membership in the retirement system.

On-Call Employees: “On-Call Employees” hired to fulfill the temporary clerical/other needs of the school. “On-call employees” are hired on an annual contract basis, (with no notice termination clause for both parties), that commences on the date of hire and ends on the one year anniversary of the date of hire. “On-call Employees” shall not be eligible for membership in the retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Once a Member, always a Member: Once a person is designated as a member of the retirement system, membership is not adversely impacted in the event a member later works less than 20 hours per week or less than 860 hours in the aggregate during the school year.

Creditable Service:

As of December 6, 2010, the Retirement System shall grant one full year of creditable service for retirement purposes to those employees of the Blue Hills Regional Vocational School employed on a full-time basis or permanent part-time basis, as defined in their specific category of work, for at least a full academic year provided that such annual employment period consists of at least one hundred and eighty days. These employees must work the entire contract year to be granted the full year of creditable service otherwise creditable service shall be pro-rated.

Food Service Workers (covered by the Food Service Workers Salary Schedule) who work 20 or more hours per week and who are under contract for the entire school year shall receive a full year of creditable service for each full school-year worked.

Part-time employees who become full-time employees may be eligible to purchase creditable service, which was earned while employed at less than part-time, (20 hours per week and therefore ineligible for membership in the retirement system); at the discretion and eventual vote of the retirement board (provided that creditable service shall be granted) based on actual service rendered.

Make-Up Payments: The purchase of “prior creditable service,” as defined by MGL chapter 32, may be in a lump sum, or in periodic installment payments as agreed to by the Board, at any time prior to retirement.

Employees of a temporary nature who were formerly deemed ineligible for membership in any government unit, which has accepted MGL chapter 32 may purchase past service upon becoming a permanent employee of the Blue Hills Regional Vocational High School.

Each member who requests permission to make-up payments for their previous employment shall provide the retirement system with a verified list of earnings by period, by calendar year, not including any overtime or bonuses, so that a make-up payment can be calculated.

Deferred Compensation:

Employees not eligible for membership in the Blue Hills Retirement System must contribute to (Massachusetts Deferred Compensation Plan) the alternative defined contribution system of the board)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Travel Regulations:

The Blue Hills Regional School Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations available upon written request, and are also available on the PERAC website.

<http://www.mass.gov/perac/03travelreg/bluehilltravelreg.html>)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the District School Treasurer who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Charles Gisondi, Chairman

Appointed Member: Virginia Frew **Term Expires:** 12/31/14

Elected Member: Patricia Brooks Term Expires: 12/31/16

Elected Member: Scott Ahern Term Expires: 12/31/16

Appointed Member: Timothy Smyth Term Expires: 12/31/15

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	Coverage under a master MACRS sponsored policy with
Ex-officio Member:)	Travelers Casualty and Surety Company of America
Elected Members:)	\$10,000,000 Fiduciary policy, Deductible \$50,000
Appointed Members:)	Separate fidelity coverage pertaining to ERISA/Crime
Staff Employees:)	To a limit of \$1,000,000, Deductible \$10,000.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2012.

The actuarial liability for active members was	\$4,448,028
The actuarial liability for retired members was	<u>6,904,721</u>
The total actuarial liability was	\$11,352,749
System assets as of that date were	<u>7,788,430</u>
The unfunded actuarial liability was	<u>\$3,564,319</u>
 The ratio of system's assets to total actuarial liability was	 68.6%
As of that date the total covered employee payroll was	\$1,831,355

The normal cost for employees on that date was 8.38% of payroll

The normal cost for the employer was 4.83% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum
 Rate of Salary Increase: service based

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2012	\$7,788,430	\$11,352,749	\$3,564,319	68.6%	\$1,831,355	194.6%
1/1/2010	\$6,532,122	\$10,081,910	\$3,549,788	64.8%	\$1,832,150	193.7%
1/1/2008	\$7,362,202	\$9,440,988	\$2,078,786	78.0%	\$1,824,128	114.0%
1/1/2006	\$6,053,996	\$9,077,868	\$3,023,872	66.7%	\$1,648,885	183.4%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Retirement in Past Years										
Superannuation	3	4	1	2	2	2	1	2	3	0
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	0	0	0	0	0	0	0	0	0	0
Total Retirements	3	4	1	2	2	2	1	2	3	0
Total Retirees, Beneficiaries and Survivors	44	47	48	48	50	51	52	54	55	52
Total Active Members	53	46	46	46	46	46	42	49	46	47
Pension Payments										
Superannuation	\$352,267	\$450,236	\$459,504	\$503,561	\$512,947	\$543,563	\$577,813	\$605,131	\$641,723	\$647,124
Survivor/Beneficiary Payments	24,753	25,169	33,169	35,132	42,462	43,720	48,369	49,777	51,326	55,599
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	0	0	0	0	0	0	0	0	0	0
Other	14,289	57,710	42,882	42,882	68,257	61,364	0	0	0	0
Total Payments for Year	\$391,309	\$533,115	\$535,555	\$581,575	\$623,666	\$648,648	\$626,182	\$654,908	\$693,049	\$702,723

PERAC

Five Middlesex Avenue | Third Floor
Somerville, MA | 02145

Ph: 617.666.4446 | Fax: 617.628.4002

TTY: 617.591.8917 | Web: www.mass.gov/perac